



## GUIDELINES FOR ELECTRONIC MONEY ISSUERS IN NAMIBIA

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**DATE: 16 January 2019**

### **1. Purpose**

- 1.1.** The purpose of these Guidelines is to provide prospective and existing issuers of electronic money (e-money) with guidance in respect of the following:
  - 1.1.1.** Requirements for authorisation to issue e-money in Namibia;
  - 1.1.2.** The appointment of agents by e-money issuers and the conduct of such agents; and
  - 1.1.3.** Other regulatory requirements and conditions as they may relate to the issuance of e-money.

### **2. Application**

- 2.1.** These Guidelines will apply to all persons who issue or who intend to issue e-money in Namibia in terms of Section 5 of the Payment System Management Act, 2003 (Act No. 18 of 2003), as amended (the Act).
- 2.2.** Both banking institutions and non-bank institutions are permitted to issue e-money in accordance with the [Determination on the Issuance of Electronic Money in Namibia \(PSD-3\)](#) and these Guidelines.
- 2.3.** These Guidelines should be read in conjunction with the Act and PSD-3.

### **3. Definitions**

- 3.1.** Unless the context otherwise indicates, a word or expression defined in the Act or in PSD-3 has the same meaning in these Guidelines.

### **4. Authorisation to Issue Electronic Money in Namibia**

#### **4.1. Notification Process for Banking Institutions**

A licensed banking institution that intends on issuing e-money must formally notify the Bank as per section 9.1 of PSD-3.

#### **4.2. Application Process for Non-Bank Institutions**

- 4.2.1.** A non-bank institution that intends to issue e-money in Namibia must formally apply to the Bank for authorisation. The application must be in accordance with PSD-3 and these Guidelines.

- 4.2.2.** Before an application for authorisation can be submitted, the non-bank institution is required to send a letter of intent to the Bank directed to the Director: Payment and Settlement Systems Department, which states the intention to issue e-money, and accompanied by a business plan / model and schematics of the envisaged e-money services.
- 4.2.3.** The Bank will peruse the submission and respond by either affording a meeting to the non-bank institution to discuss the intention and the way forward or provide guidance on how to submit an application for assessment.
- 4.2.4.** An application for authorisation must be accompanied by the following information and documentation:
- a)** Company registration documents i.e. Memorandum & Articles of Association, Certificate of Incorporation and Tax Registration Certificate;
  - b)** The company's profile and functional emails and telephone numbers;
  - c)** Shareholding structure of the company;
  - d)** Certified copies of latest audited financial statements in respect of existing companies. Newly formed companies must submit a 3-year pro forma financial statement;
  - e)** CV's and certified copies of identification documents (ID's) of the shareholders and management of the company;
  - f)** Documentation on the proposed board of directors as prescribed under section 5;
  - g)** Organogram of the company;
  - h)** Any approval, authorization, license, or permit from other regulatory authorities;
  - i)** Evidence of sufficient funds to meet the minimum initial and ongoing capital requirements stipulated in PSD-3; and
  - j)** And the additional requirements under section 6.
- 4.2.5.** Once the application has been assessed, the non-bank institution will be granted pre-authorisation accompanied by conditions that should be met within a period of 6-months to obtain full authorisation.
- 4.2.6.** The Bank shall conduct an onsite pre-opening inspection during the 6-months to test the non-banking institution's readiness to issue e-money.
- 4.2.7.** Once all the conditions have been met and the onsite pre-opening inspection has successfully been finalised, the non-bank institution will be required to pay the prescribed authorisation fee and subsequently be granted full authorisation and a license to issue e-money.

## **5. Appointment of Board of Directors**

- 5.1.** An e-money issuer must select and appoint directors who are qualified and competent to administer the affairs of the e-money scheme effectively and soundly.

**5.2. Approval of appointments:** A non-bank e-money issuer must provide the Bank with a written notice of the nomination of any director, which notice must reach the Bank at least 30 days prior to the proposed date of appointment. The notice/application must be accompanied by the following forms and documentation duly completed and signed by the Principal Officer of the e-money scheme:

- 5.2.1. PSF-001 (statement by individual board of directors);
- 5.2.2. PSF-002-1 (personal financial statement of each board);
- 5.2.3. PSF-002-2 (personal financial statement – supporting schedule)
- 5.2.4. Declaration form;
- 5.2.5. A comprehensive CV;
- 5.2.6. Certified copies of academic qualifications;
- 5.2.7. Certified copies of personal identification documents;
- 5.2.8. A police clearance or certificate of conduct from Namibia and/or the country of present residence, which is not older than 6 months; and
- 5.2.9. Any document or information the Bank may deem necessary from time-to-time.

This clause also applies to directors appointed during the operations of the e-money issuer.

**5.3.** An e-money issuer must have at least 5 directors on its board which should comprise of 2 independent non-executive directors, 2 executive directors (including the principal officer/CEO/MD) and a chairperson of a board who should be an independent non-executive director.

**5.4.** A director may not serve on the boards of two e-money issuers at the same time.

**5.5.** The board of an e-money issuer (in the case of a banking institution) must be established in accordance with the corporate governance principles as outlined in the relevant national laws.

## **6. Additional Requirements for Authorisation for Banking and Non-Bank Institutions**

**6.1.** A notification from a banking institution and an application from a non-bank institution must be accompanied by the following information and documentation relating to the e-money services:

**6.1.1.** Business Plan that includes:

- a) Name of e-money product;
- b) Nature of the business;
- c) Features of the scheme;
- d) Security features that will be put in place;
- e) Project deployment plan (launching date and location etc.);
- f) 3-year financial projection for the company;
- g) Transactional charges and other fees that will be borne by the customers;
- h) Diagrammatic illustration of transaction flows;
- i) Schematic diagram of the systems; and
- j) Target market and market penetration strategies.

**6.1.2.** Information Technology Policy of the Company Including:

- a) Privacy policy;

- b) Backup and restore policy;
- c) Network security policy;
- d) Data confidentiality policy;
- e) Incidence response policy; and
- f) Internal and external audit functions.

**6.1.3.** Enterprise Risk Management Framework;

**6.1.4.** Contingency and Disaster Recovery Plan (Business Continuity Programme);

**6.1.5.** Draft Agreements with the following:

- a) Technical partners;
- b) Banking institutions;
- c) Service providers and switching companies;
- d) Merchants;
- e) Customers;
- f) Mobile Network Operators (MNO's);
- g) Participating vendors; and
- h) Any other relevant parties.

**6.1.6.** Description of the e-money services including the technology to be used, schematics, transaction flows, settlement and reconciliation arrangements of the e-money services;

**6.1.7.** A report showing the penetration and security test results to attest the robustness and safety of the e-money systems and IT infrastructure. The tests should be conducted by an independent security expert;

**6.1.8.** Measures to prevent money laundering, terrorist financing and other payment systems related risks;

**6.1.9.** Service level agreements or other agreements entered with all third-party stakeholders involved in the issuance of e-money. This includes but not limited to; banking institutions, other e-money issuers, agents, merchants and participating vendors;

**6.1.10.** A list of fees and charges to be imposed by the e-money issuer;

**6.1.11.** Provide proof that a separate trust banking account is established to safeguard funds pooled for the purpose of providing e-money services;

**6.1.12.** Provide proof that a separate bank account has been established to deposit funds from dormant e-money wallets as required under section 11.4.5(d) of PSD-3; and

**6.1.13.** A roadmap or technical plan on how the systems used to provide e-money services will become interoperable as guided by the Bank's Position Paper on Interoperability in the NPS, dated 2 August 2018.

**6.2.** The Bank reserves the right to request any other additional information and / or documentation not listed in these Guidelines.

## 7. Permissible E-money Services

7.1. The following e-money services are permitted:

- 7.1.1. Person to person payments / transfers (P2P);
- 7.1.2. Person to business payments / transfers (P2B);
- 7.1.3. Business to person payments / transfers (B2P);
- 7.1.4. Business to business payments / transfers (B2B);
- 7.1.5. Domestic money transfers, including to and from bank accounts;
- 7.1.6. Regional cross-border transfers;
- 7.1.7. Bulk transactions, including payments of salaries, benefits, pensions etc.;
- 7.1.8. Value added services i.e. airtime, water, electricity, gym membership etc.;
- 7.1.9. Loading value on a wallet (cash-in) and redeeming value from a wallet (cash-out) transactions;
- 7.1.10. Over-the-counter transactions; and
- 7.1.11. Any other transactions or services the Bank may prescribe or approve.

7.2. The Bank may, by notification, restrict the permissible transactions of an e-money issuer or remove the restrictions so imposed as it considers appropriate.

## 8. Types of Electronic Money Wallets:

8.1. E-money issuers may offer the following e-money wallets:

- 8.1.1. **Individual Wallets:** Individual wallets are intended to be used by individuals.
- 8.1.2. **Business Wallets:** Business wallets are designed for businesses, organizations, and government entities. Business wallets may be used to facilitate a variety of payment-related services, such as the following:
  - a) Payment of salaries or social benefits by government entities (government to-person);
  - b) Payment of salaries or fees by businesses (business-to-person); or
  - c) Payment for goods received or services rendered (business-to-business or customer-to-business).
- 8.1.3. **Agent Wallets:** Agent wallets are designed to facilitate the transfer and usage of e-money funds and wallets on behalf of the e-money issuer. Since agents perform a number of functions on behalf of the e-money issuer – including cash-in and cash-out, amongst others – higher transaction and balance limits will be necessary in order to provide sufficient liquidity and ensure customers access to funds. As agents are acting on behalf of the e-money issuer, the risk of agent abuse should be addressed contractually between each e-money issuer and its agents.

## 9. General Conditions for Using Agents to Provide E-Money Services

9.1. An e-money issuer may use the services of an agent to provide e-money services on its behalf.

**9.2.** E-money issuers that intend to appoint agents shall, at least 60 days prior to commencing the conducting of the business of an e-money issuer through agents, notify the Bank in writing of their intention and provide the following information and documentation to the Bank:

- 9.2.1.** The name, business registration documents and contact information of the agent;
- 9.2.2.** A copy of the standard agency agreement(s);
- 9.2.3.** A description of the services and technology to be used by the agent;
- 9.2.4.** Measures to control money laundering and terrorist financing through agents, including security measures to be adopted at the agent's premises;
- 9.2.5.** A risk assessment report of the provision of e-money services through the agents including control measures that will be applied to mitigate the risks;
- 9.2.6.** A statement that the e-money issuer has conducted appropriate due diligence and has determined that the proposed agent:
  - a) Is fully compliant with all licensing requirements and all other relevant legal and regulatory requirements;
  - b) Is legally permitted to act as an agent;
  - c) Has sufficient financial resources to effectively carry out the duties of an agent;
  - d) Has the technical knowledge to competently offer e-money services or other payment services and comply with all legal requirements;
  - e) Is willing and able to meet all Customer Due Diligence requirements and comply with the Financial Intelligence Act, 2012, and its accompanying regulations; and
  - f) Possesses good moral character.
- 9.2.7.** E-money issuers must, if applicable, on an annual basis within 30 days of the next calendar year (end of January of each year), submit to the Bank the following table:

Table 3: Return: List of Agents

<b>Number of agents</b>	<b>Name of Agents</b>	<b>Location of Agent (City or Town, and Region)</b>	<b>Status (Active / Not active)</b>
1.			
2.			
3.			

## **10. Contractual Requirements**

**10.1.** E-money issuers should ensure that all agreements with third party stakeholders (technical partners, banking institutions, service providers, merchants, mobile network operators (MNO's) and any other parties) are governed by written contracts that include provisions addressing the following issues, amongst others:

**10.1.1.** Clarification of the roles, responsibilities, and contractual liabilities of the parties to the contract;

**10.1.2.** Responsibilities of parties for providing and receiving information regarding the payment service;

**10.1.3.** Materiality thresholds and procedures for notifying the e-money issuer of service disruptions, security threats, or other issues that create material risks;

**10.1.4.** Ownership and protection of customer and transaction data;

**10.1.5.** Whether agents or service providers are required to obtain insurance and/or provide guarantees;

**10.1.6.** Termination or expiration of contracts, including circumstances leading to intervention by the e-money issuer;

**10.1.7.** Business continuity measures;

**10.1.8.** The e-money issuer's right to monitor and audit operations of agents or service provider, security policies and procedures, internal controls, and business continuity and contingency plans;

**10.1.9.** The Bank's right to inspect the data, documents, records, at the premises of the agent or service provider; and

**10.1.10.** Any other requirements as determined by the Bank.

## **11. Risk Management and Mitigation**

**11.1.** While e-money issuers offer services that have the potential of fostering financial inclusion, they also present certain risks. These risks may include credit, operational, legal (compliance), liquidity, reputation, consumer protection, and Anti-Money Laundering / Counter-Financing of Terrorism risks, all of which must be effectively mitigated. A number of important risk mitigation measures can be classified into three categories:

**11.1.1.** electronic banking/payment risk;

**11.1.2.** outsourcing risk; and

**11.1.3.** risk related to the use of retail agents.

- 11.2. Electronic Banking / Payment Risk:** The Bank for International Settlements' (BIS) Basel Committee on Banking Supervision has developed principles governing the management of electronic banking risk. In addition to the 14 key principles related to Board and management oversight, security controls, and management of legal and reputational risk, the Risk Management Principles for Electronic Banking (<https://www.bis.org/publ/bcbs82.pdf>) include appendices detailing sound practices with respect to:
- 11.2.1.** security control;
  - 11.2.2.** authorization;
  - 11.2.3.** audit trails;
  - 11.2.4.** customer privacy;
  - 11.2.5.** outsourcing of e-banking services; and
  - 11.2.6.** issues related to capacity, business continuity, and contingency planning.
- 11.3.** All issuers of e-money<sup>1</sup> are expected to ensure that their schemes are fully compliant with the contents of the BIS Risk Management Principles for Electronic Banking document. References to “banks” within the document shall apply to all issuers of e-money (both banking institutions and non-banking institutions).
- 11.4. Outsourcing Risk:** Many payment schemes involve outsourcing of certain services. For example, e-money issuers often rely upon retail agents to act on their behalf at the local level, providing services such as wallet opening, loading and redemption of e-money to / from an electronic wallet, bill payments and money transfers, and other activities.
- 11.5.** Appendix II of the Risk Management Principles for Electronic Banking provides guidance on managing outsourced e-banking services. For the purposes of these Guidelines the term “e-banking” can be used interchangeably with “e-money. E-money issuers are required, but not limited to adopting the following key principles:
- 11.5.1.** To adopt appropriate processes for evaluating decisions to outsource e-banking systems or services.
  - 11.5.2.** Conduct appropriate risk analysis and due diligence prior to selecting an e-banking service provider and at appropriate intervals thereafter.
  - 11.5.3.** Adopt appropriate procedures for ensuring the adequacy of contracts governing e-banking.
  - 11.5.4.** Ensure that periodic independent internal and/or external audits are conducted on outsourced operations to at least the same scope required if such operations were conducted in-house.
  - 11.5.5.** Develop appropriate contingency plans for outsourced e-banking activities.

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<sup>1</sup> Banking institutions are already required to comply with these principles per Circular BIA 1/03 (24 September 2003).



- 11.5.6.** In the case that e-banking services are provided to third parties, the e-money issuer should ensure that their operations, responsibilities, and liabilities are sufficiently clear so that serviced institutions can adequately carry out their own effective due diligence reviews and on-going oversight of the relationship.
- 11.6.** In addition, the BIS has published [Outsourcing in Financial Services](#), a document offering key principles on management of outsourcing risk. This document includes seven principles that specifically apply to “regulated entities”. For the purposes of these guidelines the term “regulated entities” can be used interchangeably with “e-money issuer”. These principles are:
- 11.6.1.** A regulated entity seeking to outsource activities should have in place a comprehensive policy to guide the assessment of whether and how those activities can be appropriately outsourced. The board of directors or equivalent body retains responsibility for the outsourcing policy and related overall responsibility for activities undertaken under that policy.
- 11.6.2.** The regulated entity should establish a comprehensive outsourcing risk management programme to address the outsourced activities and the relationship with the service provider.
- 11.6.3.** The regulated entity should ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and regulators, nor impede effective oversight by regulators.
- 11.6.4.** The regulated entity should conduct appropriate due diligence in selecting third-party service providers.
- 11.6.5.** Outsourcing relationships should be governed by written contracts that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of all parties.
- 11.6.6.** The regulated entity and its service providers should establish and maintain contingency plans, including a plan for disaster recovery and periodic testing of backup facilities.
- 11.6.7.** The regulated entity should take appropriate steps to require that service providers protect confidential information of both the regulated entity and its clients from intentional or inadvertent disclosure to unauthorised persons.
- 11.7.** All issuers of e-money that engage in outsourcing are expected to ensure that their schemes are fully compliant with the relevant content of both documents.
- 11.8. Risk Related to the Use of Retail Agents:** In addition to well-known e-banking and outsourcing risks, the use of retail agents raises other issues with which issuers of e-money or other payment instruments may be less familiar. In this regard, the provision of such services is subject to the following requirements:

**11.8.1. E-money Issuer's Responsibility for Actions of Agent:** As the regulated institutions, issuers of e-money or other payment instruments are held responsible for actions taken by agents acting on their behalf. These include actions taken both with respect to customers (such as negligence or fraud in the provision of services) and with respect to regulators (such as (non)compliance with AML / CFT, customer privacy, or other regulations).

While issuers are directly liable to customers and regulators for the actions of their agents, issuers should address this issue contractually to ensure that they are able to obtain restitution from agents for any losses due to actions of agents acting on their behalf.

**11.8.2. Customer's Right of Recourse to E-money Issuer in Event of a Dispute:** In the event of a dispute related to a wallet or transaction, customers have the right to bring a complaint directly to the issuer, rather than addressing the issue through an agent. All agents must display the issuer's full name and registration number in a conspicuous location. Furthermore, issuers of e-money must provide customers with information on how to bring a dispute to the attention of the issuer, including providing a telephone number or other accessible method for expeditious resolution of disputes.

**11.8.3. The Bank's Right to Review Agent Records:** In order to ensure that it is able to effectively supervise issuers of e-money, the Bank reserves the right to inspect all related records, data, or other relevant information, whether in the possession of the issuer or its agent(s). Contracts with agents shall stipulate that the Bank (or its representative) may examine any agent records related to the conduct of payment business.

## **12. Consumer Protection**

**12.1. Disclosure:** To reduce the risk of fraud or other forms of customer abuse, issuers of e-money are required to provide customers with the following information when establishing a business relationship to offer services:

**12.1.1.** Clarification of the roles and responsibilities of the e-money issuer, agents, and customers;

**12.1.2.** Sufficient and accessible information to customers on their rights and responsibilities;

**12.1.3.** A clear description of available services and the fees or charges for using these services, including fees applicable to redemption of e-money and balance enquiries;

**12.1.4.** State that e-money cannot earn interest or other monetary incentives and that a wallet is not a savings account or other investment instrument;

**12.1.5.** State that e-money may be redeemed at par value (minus any disclosed fees) at any time;

**12.1.6.** E-money issuers should enter into a written agreement, physical or electronic, with every e-money customer for whom they open an e-money wallet. The agreement should at minimum:

- a) Include the identity of the e-money customer;
- b) Provide clear guidance on the e-money customer's right to redemption, including conditions and fees for redemption;
- c) State in its fine print that the ownership of the e-money customers' funds is not in any way impaired by the use of pooled float accounts established in the name of the e-money issuer; and
- d) Include information on available redress procedures for complaints together with the address and contact information of the e-money issuer.

**12.1.7.** That e-money is not a deposit within the meaning of the Banking Institution Act 1998 (Act No.2 of 1998), as amended, and is not subject to any deposit protection; and

**12.1.8.** Customer care procedures for complaints together with the address, customer care contact number and other contact details of the e-money issuer.

**12.2.** E-money issuers shall upon request from an e-money holder provide the e-money holder in writing with the balance remaining in its e-money wallets as well as a statement of transactions for the previous 30 days.

### **12.3. Consumer Redress**

**12.3.1.** E-money issuers should, within 6 months after commencing business as an e-money issuer, establish a customer care system to address the complaints of e-money customers.

**12.3.2.** E-money issuers should, prior to the establishment of a customer care system provide adequate means for e-money customers to file complaints which must be addressed within a period of 60 days from receipt of the complaint.

**12.3.3.** Complaints may be lodged orally or in writing, but in each case must be lodged within a period of 30 days from the date of occurrence.

**12.3.4.** E-money issuers should acknowledge all complaints filed with them.

**12.3.5.** Where a complainant is not satisfied with a decision reached pursuant to a complaint, the e-money issuer should give the complainant the option of pursuing an identified escalation process by which the decision may be examined by a suitably qualified person in the e-money issuer's organization.

## **13. Other Required Notifications**

**13.1. Terms and Conditions:** An e-money issuer must submit a notification to the Bank of its intention to modify the Terms and Conditions of its agreements with e-money users. This notification must

be submitted at least 30 days prior to the proposed date for modification of the Terms and Conditions.

- 13.2.Fees and Charges:** An e-money issuer must on an annual basis submit to the Bank the fees and charges applicable to its e-money services. This must be submitted at least 30 days prior to the proposed date of modifying the fees and charges.
- 14. Reporting:** E-money issuers are required to submit e-money statistics to the Bank using the [Electronic Money Return](#) template provided on the Bank's website.
- 15. Transition Provision:** Existing e-money issuers are permitted 6 months after the effective date of these Guidelines to ensure compliance with these Guidelines.
- 16. Repeal of E-Money Guidelines and Circular:** These Guidelines repeal and replace the Guidelines for Issuers of Electronic Money & Other Payment Instruments in Namibia published on 1 March 2012.
- 17. Effective Date:** This Guidelines will become effective on date of signature. However, existing e-money issuers will be granted a six-month grace period to comply with this Guidelines from date of signature.
- 18. Enquiries:** All enquiries related to these Guidelines must be forwarded to:

Director: Payment and Settlement Systems  
Bank of Namibia  
P.O. Box 2882  
71 Robert Mugabe  
Tel: +264-61-2835111

BARBARA DREYER  
**DIRECTOR: PAYMENT AND SETTLEMENT SYSTEMS**